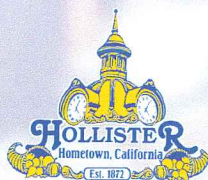


Q4 2008



City of Hollister Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

Hollister In Brief

Fourth quarter receipts fell 21.3% from the same period one year ago.

Results from new motor vehicle dealer, lumber & building materials, contractors, garden and agriculture supplies and boats/motorcycles groups decreased much as they did in most areas of the state. Lower prices at the pump caused the decline in service station proceeds.

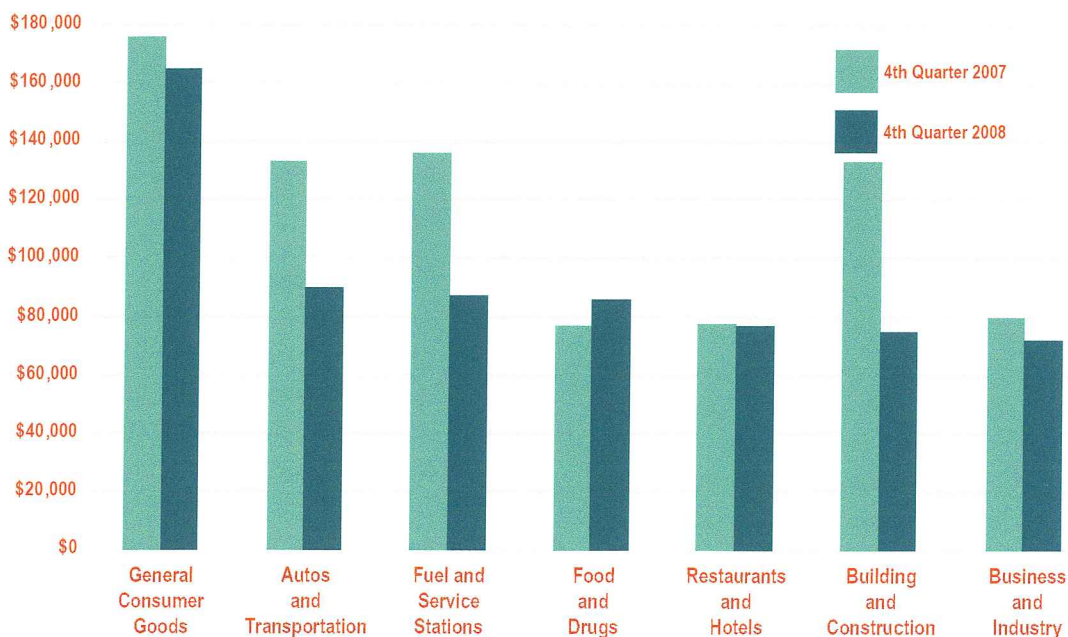
The drop in the restaurant without alcohol category occurred after a restaurant acquired a liquor license and shifted to the restaurant with liquor group.

Reporting aberrations boosted comparisons for the grocery with liquor, package liquor store, electronics & appliance store and specialty store categories. Light industrial/printers showed a strong sales quarter.

The city's voter-approved Measure "T" tax generated an additional \$760,619 in local revenue.

With accounting aberrations excluded, the Central Coast region dropped 12.3%; statewide results were down 13.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware & Lumber	Nob Hill General Store
Ava Chevron	Quik Stop Markets
Beacon Food Mart & Liquor	Ranch Gas & Food
Car Lot	Rite Aid
Ciminos Cabinet Doors	Safeway
Corbin Pacific	Safeway Gasoline Sales
Fortinos	Save Mart Supermarkets
General Chemical West	Staples
Greenwood Chevrolet	Target
K Mart	Tiffany Ford Lincoln Mercury
McDonalds	Verizon Wireless
McKinnon Lumber	Western Farm Service
Milgard Manufacturing	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$2,561,695	\$2,219,803
County Pool	361,063	269,515
State Pool	1,183	941
Gross Receipts	\$2,923,941	\$2,490,259
Less Triple Flip*	\$(730,985)	\$(622,565)

**Reimbursed from county compensation fund*

Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003.

The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business to business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

New Sales Tax Rate

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot. This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

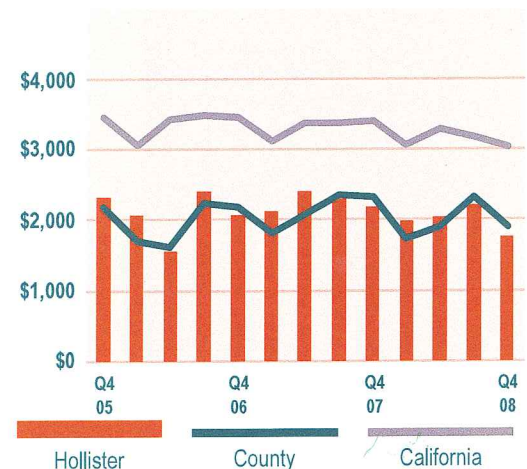
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

SALES PER CAPITA



HOLLISTER TOP 15 BUSINESS TYPES

Business Type	Hollister		County	HdL State
	Q4 '08	Change	Change	Change
Discount Dept Stores	—	CONFIDENTIAL	-8.5%	-3.3%
Service Stations	87,063	-31.8%	-31.7%	-23.2%
Grocery Stores Liquor	54,550	11.7%	21.7%	0.7%
Restaurants No Alcohol	45,256	-7.4%	-8.5%	1.3%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-38.2%	-36.4%
Lumber/Building Materials	35,099	-28.9%	-32.7%	-12.5%
Contractors	24,883	-56.7%	-29.0%	-15.5%
Electronics/Appliance Stores	23,834	19.7%	19.7%	-13.0%
Restaurants Beer And Wine	21,983	-1.8%	-5.7%	-6.9%
Automotive Supply Stores	18,312	-11.7%	-9.5%	-3.6%
Garden/Agricultural Supplies	15,932	-28.3%	-31.4%	-12.4%
Boats/Motorcycles	12,587	-45.8%	-44.3%	-29.7%
Light Industrial/Printers	12,330	62.7%	89.4%	11.4%
Package Liquor Stores	11,028	21.4%	21.0%	1.6%
Specialty Stores	10,247	38.0%	11.8%	-7.2%
Total All Accounts	\$652,026	-19.8%	-17.8%	-10.3%
County & State Pool Allocation	75,261	-32.3%		
Gross Receipts	\$727,287	-21.3%		